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NEWS

J.D. Power: Largest Asset Managers Dominate in Advisor Digital Experience

Smaller brands still have an opportunity to differentiate through investment comparison tools, immediate access to client information and access to information on ESG issues.

Rob Burgess | Nov 08, 2022

Smaller asset managers are having difficulty differentiating themselves and showcasing their strengths as larger brands dominate, a recent J.D. Power study found.

“This is especially troubling as the research clearly establishes a strong connection between the quality of the digital experience and advisor intention to invest more with that asset manager,” stated a press release.

The 2022 U.S. Advisor Online Experience Study, which was released Thursday, found that “asset management websites have officially replaced wholesalers and legacy relationships as the primary drivers of engagement with investment advisors.”

The U.S. Advisor Online Experience Study explores how financial advisors interact with asset manager websites as part of their practice of helping clients build and manage optimal portfolios.

In an interview Monday, Mike Foy, senior director and head of wealth intelligence at J.D. Power, said they have been conducting research in the wealth space for around 20 years, including advisor satisfaction with their broker-dealer. However, they recently tried to fill in the gaps in their existing research regarding asset managers.

This “deep dive” into asset managers’ digital experiences was conducted this summer. The 2022 U.S. Advisor Online Experience Study evaluates advisor interaction with asset manager websites based on four factors: speed; information and content; visual appeal; and navigation. The study is based on 2,320 total evaluations and was fielded from June through August 2022. Firms included in the study include AllianceBernstein, BlackRock, Capital Group, Charles Schwab, Columbia Threadneedle Investments, Fidelity Investments, Franklin Templeton, Invesco, J.P. Morgan, MetLife Investment Management, MFS Investment Management, Morgan Stanley, Nuveen, PIMCO, Prudential Financial, State Street Global Advisors (SSGA), T. Rowe Price and Vanguard.

Foy said they asked respondents “a whole battery of questions” about the online experience of up to three brands, all of which they had to have used within the past 30 days.

The study found that website satisfaction was tied to intent to invest. Among advisors who have overall satisfaction scores of 801 or higher (on a 1,000-point scale) with an asset manager’s website, 91% say they are extremely likely to increase investment during the next three months with that firm. However, just 13% of asset manager websites have earned these high scores. Among advisors who have overall satisfaction scores of 800 or lower with the asset manager’s website, just 40% say they intend to increase investment with those brands, according to the study.

“Having a great digital experience is really critical, not just from a standpoint of improving brand image or even something like net promoter score or advisor satisfaction. But in the study we really see a very strong correlation between the level of satisfaction with the digital experience and that advisor’s intention to increase investment over the short term, so in the next three months,” said Foy. “So, there’s really a strong ROI and a strong financial incentive for brands to try to differentiate on having an exceptional digital experience rather than thinking of it as checking the box or kind of meeting the minimum basic needs.”

The study also found that smaller asset managers struggle to compete digitally. The average overall satisfaction score among large asset managers with $1 trillion or more in U.S. non-institutional assets under management is 657. That number falls to 617 among small asset managers with less than $400 billion under management. The gap in website satisfaction between small and large asset managers is widest in the areas of research information and content; availability of client-specific information and material; and researching product offerings and information, according to the study.

“It's certainly not a surprise that over the last number of years, and certainly the pandemic accelerated this, but asset managers have been relying less on large, expensive, wholesaler teams and being more focused on interacting with advisors through digital channels,” said Foy. “Not necessarily super surprising that that trend has accelerated, but certainly the troubling thing from the standpoint of the firms that are not among the largest is that the big firms that tend to be gaining market share in the industry are also doing a much better job from a digital experience standpoint. So, there’s a risk to brands that are a little bit smaller.”

The study found that areas in which smaller asset managers have an opportunity to differentiate include increased tool offerings (such as investment comparison tools); more prominent placement of those tools on the website homepage and navigation bars; and more upfront, immediate access to client information.

“Not every brand has the same budget for improving their digital experience that BlackRock has, but I think there are opportunities to be strategic and focus on things that really have an opportunity to move the needle,” said Foy. “Some of them are fairly simple user experience-type things. Just making it easier and faster to access the most critical information from the home page. Something that you don’t necessarily need a huge budget to do, but it’s something that a lot of the smaller brands are not doing today. We’ve also found that ensuring that you really kind of understand what are the most important resources and assets to your advisors.”

Foy said smaller brands could still use the digital experience more effectively to highlight and articulate their unique value proposition.

“I think today a lot of these brands seem somewhat undifferentiated to both consumers and advisors and so if you’re going to succeed in this space and you’re not one of the giants, it’s important to not project your brand as just as a ‘me too’ brand,” said Foy. “You really need to be clearly known for having a unique value proposition and position in the industry and the

digital experience is a critical touchpoint through which to foster that brand image so that's another opportunity that's being missed today by many brands."

The study found that one area in which nearly all asset managers are falling short on their websites is providing information on environmental, social and governance (ESG) issues. Just 29% of asset managers are currently meeting an advisor's needs when it comes to ESG reporting.

Foy said even though ESG has gotten a lot of attention and money moving in its direction, there was "still a lot of skepticism among both advisors and even end investors about things like greenwashing and just the fact that there's not a lot of clarity or transparency around how to really understand the process for ESG investment selection."

"No brand has more than about a third of advisors saying that their ESG needs are being met by the website. Nobody's really standing out in this space. Some brands are obviously more visible in the media as being associated with ESG, but from an advisor digital experience, there is really nobody who is kind of winning on this," said Foy. "And so it's an opportunity for brands that want to be known as having particular expertise or a brand position that's aligned with ESG investing to focus on better understanding what those advisor needs are and delivering on them because it's a pretty open space now."